

Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 05754 01 OF 02 310144Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 DOE-15 SOE-02
OES-07 ACDA-12 /137 W
-----052153 311041Z /10

R 301807Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7183
INFO AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY ROME
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 05754

USOECN, USEEC, USMTN

E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD, MNUC, TECH, GW
SUBJECT: COUNT LAMBSBORFF ON GROWTH, CAPITAL
CONTROLS, AND THE U.S. OIL RESERVE

REF: (A) BONN 5309 NOTAL, (B) BONN 5529 NOTAL,
(C) BONN 5680

1. SUMMARY - ECONOMICS MINISTER LMBSBORFF SAYS THAT
HE IS SKEPTICAL THAT THE 1978 FRG GNP GROWTH TARGET OF
3.5 PERCENT CAN BE REACHED, TAKES ISSUE WITH
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 05754 01 OF 02 310144Z

CONGRESSMAN REUSS ON EXCHANGE MARKET INTERVENTION,
AND IS CHAGRINED BY A U.S. POLICY TO BUILD UP OIL
RESERVES AT THE EXPENSE OF ITS CURRENT ACCOUNT. END
SUMMARY.

2. IN MARCH 29 EXCLUSIVE INTERVIEW WITH THE BUSINESS
DAILY HANDELSBLATT, ECONOMICS MINISTER OTTO LAMBSBORFF

IS REPORTED TO HAVE SAID THAT HE WAS SKEPTICAL ABOUT THE CHANCES OF REACHING TARGETTED GNP GROWTH OF 3.5 PERCENT FOR 1978. "THE DEVELOPMENT OF THE DOLLAR EXCHANGE RATE IS WORSE THAN EXPECTED ... AND THE GOVERNMENT INDICATED WAGE HIKE FIGURE WILL PROBABLY BE EXCEEDED."

3. MOST OF THE INTERVIEW CENTERED ABOUT WAGE NEGOTIATIONS. LAMBSDORFF LAMENTED THE BREAKDOWN OF "CONCERTED ACTION" (REGULAR MEETINGS OF GOVERNMENT, LABOR, MANAGEMENT, BUNDESBANK REPRESENTATIVES AND ECONOMIC EXPERTS TO EVALUATE ECONOMIC DEVELOPMENTS) WHICH IS BEING BOYCOTTED BY LABOR AS A RESULT OF MANAGEMENT'S CONSTITUTIONAL CHALLENGE TO THE 1976 CODETERMINATION LAW REQUIRING LABOR PARTICIPATION ON THE BOARDS OF MAJOR FIRMS. LAMBSDORFF DID NOT EXCLUDE THE POSSIBILITY OF MEDIATION BY A GOVERNMENT OFFICIAL IN THE CURRENT DISPUTE IN THE METAL WORKING INDUSTRY.

4. LAMBSDORFF REFERRED TO AN INTERVIEW WITH CONGRESSMAN HENRY REUSS WHICH APPEARED IN THE MARCH 21 EDITION OF HANDELSBLATT IN WHICH REUSS SUGGESTED THE FRG IMPOSE CAPITAL CONTROLS INSTEAD OF DEMANDING FROM THE U.S. EXCHANGE MARKET INTERVENTION. LAMBSDORFF CLAIMED THAT REUSS AND ALSO SAMUELSON HAD MISREPRESENTED THE GERMAN POSITION. "HIS IS CLEARLY FALSE. ONE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 05754 01 OF 02 310144Z

CANNOT SUCCESSFULLY INTERVENE IN A MARKET WITH A VOLUME OF \$500 BILLION. MR. REUSS CANNOT THINK US THAT FOOLISH. WHAT WE EXPECT IS A U.S./FRG COORDINATED POLICY WHICH IN THE INTEREST OF EXCHANGE MARKET EFFICIENCY WILL PREVENT ERRATIC EXCHANGE RATE DISTURBANCES."

5. THE COUNT RESERVED A FEW PUNGENT WORDS FOR U.S. ENERGY POLICY. HE SAID THAT HE OBSERVED WITH PUZZLED DISPLEASURE THAT THE U.S. WAS NOW BUILDING UP A TEN MONTHS' STRATEGIC OIL RESERVE AT THE COST OF ITS CURRENT ACCOUNT BALANCE WHICH IS "FINANCED BY THE CENTRAL BANKS OF OTHER COUNTRIES."

6. A SOMEWHAT MORE OPTIMISTIC VIEW OF THE ECONOMIC SITUATION IS BEING TAKEN BY FORMER BUNDESBANK PRESIDENT KARL KLASSEN. HE PREDICTED IN A MARCH 29 INTERVIEW WITH DIE WELT THAT 3.5 PERCENT GNP GROWTH COULD BE ATTAINED PROVIDED THE METAL INDUSTRY STRIKE AND THE DOLLAR'S FALL WERE QUICKLY ENDED. ON THE BASIS OF A CONVERSATION WITH FED CHAIRMAN MILLER, KLASSEN SAID THAT HE HAD THE FIRM IMPRESSION THAT THE

U.S. WILL ENERGETICALLY COMBAT INFLATION AND THE DOLLAR
CRISIS. HE SAID THAT HE DID NOT DISCOUNT THE
POSSIBILITY OF A DOLLAR RISE TO DM 2.20 BY THE END
OF THE YEAR.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 05754 02 OF 02 311036Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 ACDA-12 DOE-15
SOE-02 OES-07 /137 W

-----056122 311044Z /10

R 301807Z MAR 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7184
INFO AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY ROME
USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 02 OF 02 BONN 05754

7. COMMENT - AN ECONOMICS MINISTRY FORECASTER TOLD
EMBASSY ECON OFFICER ON MARCH 30 THAT LAMBSDORFF'S
VIEWS AS REPORTED BY THE HANDELSBLATT WERE NOT THOSE
OF HIS MINISTRY WHICH STILL STANDS BEHIND ITS JANUARY
PROGNOSIS. HE EMPHASIZED THAT THE IMPORTANT MACRO-
ECONOMIC ISSUE IN THE METAL INDUSTRY NEGOTIATIONS
WAS NOT THE SIZE OF THE WAGE SETTLEMENT BUT RATHER
THE ISSUE OF JOB SECURITY AGAINST TECHNOLOGICAL CHANGE.
THE LATTER WILL OF COURSE HAVE A POWERFUL IMPACT ON

RATIONALIZATION TYPE INVESTMENTS WHICH ARE THE BULK
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 05754 02 OF 02 311036Z

OF P&E INVESTMENT IN AN ECONOMY WITH EXCESS CAPACITY.
PRODUCTION LOSSES TO THE ECONOMY FROM METAL INDUSTRY
STRIKES HE ESTIMATED AT, SO FAR, ONLY DM .5 BILLION,
OR LESS THAN .1 PERCENT OF GNP (MUCH OF WHICH CAN BE
MADE UP). OUR CONTACT CRITICIZED BOTH THE
CHANCELLOR'S (REFTEL B) AND LAMBSDORFF'S GLOOMY
PRONOUNCEMENTS AS POOR PSYCHOLOGY, I.E., THEY WILL
GENERATE EXPECTATIONS OF TAX INCENTIVES TO COMBAT
STAGNATION THEREBY DELAYING PRESENTLY CONTEMPLATED
INVESTMENTS. THE CHANCELLOR AND THE ECONOMICS MINISTER
ARE FOR THE MOMENT MORE CONCERNED ABOUT GENERATING
PUBLIC PRESSURE ON LABOR AND MANAGEMENT TO REACH
"REASONABLE" LABOR CONTRACTS SPEEDILY.
STOESSEL

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, PETROLEUM INDUSTRY, SUPPLIES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BONN05754
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: ALSO FOR USMTN
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780139-1160
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780310/aaaaaidx.tel
Line Count: 191
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c9fd80b7-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BONN 5309, 78 BONN 5529, 78 BONN 5680
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3099139
Secure: OPEN
Status: NATIVE
Subject: COUNT LAMBSORFF ON GROWTH, CAPITAL CONTROLS, AND THE U.S. OIL RESERVE
TAGS: EGEN, EFIN, ETRD, MNUC, TECH, GE, (LAMBSORFF, OTTO COUNT)
To: STATE USEEC MULTIPLE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/c9fd80b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014